

safe harbor interest rates applicable under the regulations prescribed under this section so that such rates are consistent with the rates applicable under section 483 of this title by reason of the amendments made by Pub. L. 98-369, see section 44(b)(2) of Pub. L. 98-369, set out as an Effective Date note under section 1271 of this title.

STUDY OF APPLICATION AND ADMINISTRATION OF THIS SECTION

Pub. L. 101-508, title XI, §11316, Nov. 5, 1990, 104 Stat. 1388-458, directed Secretary of the Treasury or his delegate to conduct a study of the application and administration of section 482 of the Internal Revenue Code of 1986 and not later than Mar. 1, 1992, submit to Committee on Ways and Means of House of Representatives and Committee on Finance of Senate a report on the study, together with such recommendations as he deemed advisable.

**§ 483. Interest on certain deferred payments**

**(a) Amount constituting interest**

For purposes of this title, in the case of any payment—

- (1) under any contract for the sale or exchange of any property, and
- (2) to which this section applies,

there shall be treated as interest that portion of the total unstated interest under such contract which, as determined in a manner consistent with the method of computing interest under section 1272(a), is properly allocable to such payment.

**(b) Total unstated interest**

For purposes of this section, the term “total unstated interest” means, with respect to a contract for the sale or exchange of property, an amount equal to the excess of—

- (1) the sum of the payments to which this section applies which are due under the contract, over
- (2) the sum of the present values of such payments and the present values of any interest payments due under the contract.

For purposes of the preceding sentence, the present value of a payment shall be determined under the rules of section 1274(b)(2) using a discount rate equal to the applicable Federal rate determined under section 1274(d).

**(c) Payments to which subsection (a) applies**

**(1) In general**

Except as provided in subsection (d), this section shall apply to any payment on account of the sale or exchange of property which constitutes part or all of the sales price and which is due more than 6 months after the date of such sale or exchange under a contract—

- (A) under which some or all of the payments are due more than 1 year after the date of such sale or exchange, and
- (B) under which there is total unstated interest.

**(2) Treatment of other debt instruments**

For purposes of this section, a debt instrument of the purchaser which is given in consideration for the sale or exchange of property shall not be treated as a payment, and any payment due under such debt instrument shall be treated as due under the contract for the sale or exchange.

**(3) Debt instrument defined**

For purposes of this subsection, the term “debt instrument” has the meaning given such term by section 1275(a)(1).

**(d) Exceptions and limitations**

**(1) Coordination with original issue discount rules**

This section shall not apply to any debt instrument for which an issue price is determined under section 1273(b) (other than paragraph (4) thereof) or section 1274.

**(2) Sales prices of \$3,000 or less**

This section shall not apply to any payment on account of the sale or exchange of property if it can be determined at the time of such sale or exchange that the sales price cannot exceed \$3,000.

**(3) Carrying charges**

In the case of the purchaser, the tax treatment of amounts paid on account of the sale or exchange of property shall be made without regard to this section if any such amounts are treated under section 163(b) as if they included interest.

**(4) Certain sales of patents**

In the case of any transfer described in section 1235(a) (relating to sale or exchange of patents), this section shall not apply to any amount contingent on the productivity, use, or disposition of the property transferred.

**(e) Maximum rate of interest on certain transfers of land between related parties**

**(1) In general**

In the case of any qualified sale, the discount rate used in determining the total unstated interest rate under subsection (b) shall not exceed 6 percent, compounded semi-annually.

**(2) Qualified sale**

For purposes of this subsection, the term “qualified sale” means any sale or exchange of land by an individual to a member of such individual’s family (within the meaning of section 267(c)(4)).

**(3) \$500,000 limitation**

Paragraph (1) shall not apply to any qualified sale between individuals made during any calendar year to the extent that the sales price for such sale (when added to the aggregate sales price for prior qualified sales between such individuals during the calendar year) exceeds \$500,000.

**(4) Nonresident alien individuals**

Paragraph (1) shall not apply to any sale or exchange if any party to such sale or exchange is a nonresident alien individual.

**(f) Regulations**

The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section including regulations providing for the application of this section in the case of—

- (1) any contract for the sale or exchange of property under which the liability for, or the

amount or due date of, a payment cannot be determined at the time of the sale or exchange, or

(2) any change in the liability for, or the amount or due date of, any payment (including interest) under a contract for the sale or exchange of property.

**(g) Cross references**

(1) **For treatment of assumptions, see section 1274(c)(4).**

(2) **For special rules for certain transactions where stated principal amount does not exceed \$2,800,000, see section 1274A.**

(3) **For special rules in case of the borrower under certain loans for personal use, see section 1275(b).**

(Added Pub. L. 88-272, title II, §224(a), Feb. 26, 1964, 78 Stat. 77; amended Pub. L. 94-455, title XIX, §§1901(b)(3)(B), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1792, 1834; Pub. L. 97-34, title I, §126(a), Aug. 13, 1981, 95 Stat. 202; Pub. L. 97-448, title I, §101(g), Jan. 12, 1983, 96 Stat. 2367; Pub. L. 98-369, div. A, title I, §41(b), July 18, 1984, 98 Stat. 553; Pub. L. 99-121, title I, §§101(a)(2), 102(c)(1)-(3), Oct. 11, 1985, 99 Stat. 505, 508; Pub. L. 99-514, title XVIII, §1803(a)(14)(B), Oct. 22, 1986, 100 Stat. 2797.)

**AMENDMENTS**

1986—Subsec. (d)(3). Pub. L. 99-514 substituted “for which an issue price is determined under section 1273(b) (other than paragraph (4) thereof) or section 1274” for “to which section 1272 applies”.

1985—Subsec. (b). Pub. L. 99-121, §101(a)(2)(A), struck out “120 percent of” after “discount rate equal to” in closing provisions.

Subsec. (c)(1)(B). Pub. L. 99-121, §101(a)(2)(B), amended subpar. (B) generally. Prior to amendment, subpar. (B) read as follows: “under which, using a discount rate equal to 110 percent of the applicable Federal rate determined under section 1274(d), there is total unstated interest.”

Subsec. (e). Pub. L. 99-121, §102(c)(1), (2), redesignated subsec. (f) as (e), and as so redesignated substituted “6 percent” for “7 percent” in par. (1). Former subsec. (e), which related to the interest rates in the case of the sales of principal residences or farm lands, was struck out.

Subsec. (f). Pub. L. 99-121, §102(c)(1), redesignated subsec. (g) as (f). Former subsec. (f) redesignated (e).

Subsecs. (g), (h). Pub. L. 99-121, §102(c)(1), (3), redesignated subsec. (h) as (g) and amended it generally, designating existing undesignated cross reference as par. (3), and adding pars. (1) and (2). Former subsec. (g) redesignated (f).

1984—Subsec. (a). Pub. L. 98-369 amended subsec. (a) generally, substituting “For purposes of this title, in the case of any payment (1) under any contract for the sale or exchange of any property, and (2) to which this section applies, there shall be treated as interest that portion of the total unstated interest under such contract which, as determined in a manner consistent with the method of computing interest under section 1272(a), is properly allocable to such payment” for “For purposes of this title, in the case of any contract for the sale or exchange of property there shall be treated as interest that part of a payment to which this section applies which bears the same ratio to the amount of such payment as the total unstated interest under such contract bears to the total of the payments to which this section applies which are due under such contract”.

Subsec. (b). Pub. L. 98-369 amended subsec. (b) generally, substituting provisions directing that the present value of a payment be determined under the rules of section 1274(b)(2) using a discount rate equal to 120 percent of the applicable Federal rate determined under

section 1274(d) for provisions which had directed that the present value of a payment be determined, as of the date of the sale or exchange, by discounting such payment at the rate, and in the manner, provided in regulations prescribed by the Secretary and that such regulations provide for discounting on the basis of 6-month brackets and provide that the present value of any interest payment due not more than 6 months after the date of the sale or exchange was to have been an amount equal to 100 percent of such payment.

Subsec. (c). Pub. L. 98-369 substituted “subsection (a) applies” for “section applies” in heading.

Subsec. (c)(1). Pub. L. 98-369 substituted “under which, using a discount rate equal to 110 percent of the applicable Federal rate determined under section 1274(d), there is total unstated interest” for “under which, using a rate provided by regulations prescribed by the Secretary for purposes of this subparagraph, there is total unstated interest”, in subpar. (B), and struck out provision formerly set out following subpar. (B) which had directed that any rate prescribed for determining whether there was total unstated interest for purposes of subpar. (B) be at least one percentage point lower than the rate prescribed for purposes of subsec. (b)(2).

Subsec. (c)(2). Pub. L. 98-369 substituted “Treatment of other debt instruments” for “Treatment of other evidence of indebtedness” in heading and, in text, substituted “a debt instrument of the purchaser which is given in consideration for the sale or exchange of property shall not be treated as a payment, and any payment due under such debt instrument” for “an evidence of indebtedness of the purchaser given in consideration for the sale or exchange of property shall not be considered a payment, and any payment due under such evidence of indebtedness”.

Subsec. (c)(3). Pub. L. 98-369 added par. (3).

Subsec. (d). Pub. L. 98-369 amended subsec. (d) generally, substituting provisions relating to exceptions and limitations for provisions which related to payments indefinite as to time, liability, or amount.

Subsec. (e). Pub. L. 98-369 amended subsec. (e) generally, substituting provisions relating to interest rates in case of sale of principal residence or farm land for provision relating to changes in terms of contract.

Subsec. (f). Pub. L. 98-369 amended subsec. (f) generally, substituting provisions relating to maximum rate of interest on certain transfers of land between related parties for provisions which related to exceptions and limitations now covered in subsec. (d) of this section.

Subsec. (g). Pub. L. 98-369 amended subsec. (g) generally, substituting provisions which related to calling for the promulgation of regulations by the Secretary for provisions which related to the maximum rate of interest on certain transfers of land between related parties now covered in subsec. (f) of this section.

Subsec. (h). Pub. L. 98-369 added subsec. (h).

1983—Subsec. (g)(4). Pub. L. 97-448 substituted “Paragraph (1)” for “This section”.

1981—Subsec. (g). Pub. L. 97-34 added subsec. (g).

1976—Subsecs. (b), (c)(1)(B), (e). Pub. L. 94-455, §1906(b)(13)(A), struck out “or his delegate” after “Secretary”.

Subsec. (f)(3). Pub. L. 94-455, §1901(b)(3)(B), substituted “all of the gain, if any, on such” for “no part of any gain on such” and “ordinary income” for gain from the sale or exchange of property other than a capital asset”.

**EFFECTIVE DATE OF 1986 AMENDMENT**

Amendment by Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

**EFFECTIVE DATE OF 1985 AMENDMENT**

Amendment by Pub. L. 99-121 applicable to sales and exchanges after June 30, 1985, in taxable years ending

after such date, see section 105(a)(1) of Pub. L. 99-121, set out as a note under section 1274 of this title.

#### EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to taxable years ending after July 18, 1984, and applicable to sales or exchanges after Dec. 31, 1984, but not applicable to any sale or exchange pursuant to a written contract which was binding on Mar. 1, 1984, and at all times thereafter before the sale or exchange, see section 44 of Pub. L. 98-369, set out as an Effective Date note under section 1271 of this title.

#### EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by Pub. L. 97-448 effective, except as otherwise provided, as if it had been included in the provision of the Economic Recovery Tax Act of 1981, Pub. L. 97-34, to which such amendment relates, see section 109 of Pub. L. 97-448, set out as a note under section 1 of this title.

#### EFFECTIVE DATE OF 1981 AMENDMENT

Section 126(b) of Pub. L. 97-34 provided that: "The amendment made by subsection (a) [amending this section] shall apply to payments made after June 30, 1981, pursuant to sales or exchanges after such date."

#### EFFECTIVE DATE OF 1976 AMENDMENT

Amendment by section 1901(b)(3)(B) of Pub. L. 94-455 effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

#### EFFECTIVE DATE

Section applicable to payments made after Dec. 31, 1963, on account of sales or exchanges of property after June 30, 1963, other than a sale or exchange pursuant to written contract, including an irrevocable written option, entered into before July 1, 1963, see section 224(d) of Pub. L. 88-272, set out as an Effective Date of 1964 Amendment note under section 163 of this title.

#### PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

#### TREATMENT OF TRANSFERS OF LAND BETWEEN RELATED PARTIES

Section 1803(a)(9) of Pub. L. 99-514 provided that: "In the case of any sale or exchange before July 1, 1985, to which section 483(f) of the Internal Revenue Code of 1954 [now 1986] (as in effect on the day before the date of the enactment of Public Law 99-121 [Oct. 11, 1985]) applies, such section shall be treated as providing that the discount rate to be used for purposes of section 483(c)(1) of such Code shall be 6 percent, compounded semiannually."

#### TRANSITIONAL RULE FOR PURPOSES OF IMPUTED INTEREST RULES

Provisions, respecting treatment of debt instruments received in exchange for property, relating to special rules for sales after Dec. 31, 1984, and before July 1, 1985, general rule for assumptions of loans, exception for assumptions of loans made on or before Oct. 15, 1984, and exception for assumptions of loans with respect to certain property, see section 44(b)(4)-(7) of Pub. L. 98-369, as amended, set out as an Effective Date note under section 1271 of this title.

### Subchapter F—Exempt Organizations

Part	
I.	General rule.

Part	
II.	Private foundations.
III.	Taxation of business income of certain exempt organizations.
IV.	Farmers' cooperatives.
V.	Shipowners' protection and indemnity associations.
VI.	Political organizations.
VII.	Certain homeowners associations.
VIII.	Higher education savings entities.

#### AMENDMENTS

1997—Pub. L. 105-34, title II, §211(e)(1)(B), Aug. 5, 1997, 111 Stat. 812, substituted "Higher education savings entities" for "Qualified State tuition programs" in part VIII heading.

1996—Pub. L. 104-188, title I, §1806(b)(2), Aug. 20, 1996, 110 Stat. 1898, added part VIII heading.

1976—Pub. L. 94-455, title XXI, §2101(d), Oct. 4, 1976, 90 Stat. 1899, added part VII heading.

1975—Pub. L. 93-625, §10(d), Jan. 3, 1975, 88 Stat. 2119, added part VI heading.

1969—Pub. L. 91-172, title I, §101(j)(58), Dec. 30, 1969, 83 Stat. 532, added part II heading, and redesignated former parts II, III and IV as parts III, IV and V, respectively.

### PART I—GENERAL RULE

Sec.	
501.	Exemption from tax on corporations, certain trusts, etc.
502.	Feeder organizations.
503.	Requirements for exemption.
504.	Status after organization ceases to qualify for exemption under section 501(c)(3) because of substantial lobbying or because of political activities.
505.	Additional requirements for organizations described in paragraph (9), (17), or (20) of section 501(c).

#### AMENDMENTS

1987—Pub. L. 100-203, title X, §10711(b)(2)(B), Dec. 22, 1987, 101 Stat. 1330-464, substituted "substantial lobbying or because of political activities" for "substantial lobbying" in item 504.

1984—Pub. L. 98-369, div. A, title V, §513(b), July 18, 1984, 98 Stat. 865, added item 505.

1976—Pub. L. 94-455, title XIII, §1307(d)(3)(B), Oct. 4, 1976, 90 Stat. 1728, added item 504.

1969—Pub. L. 91-172, title I, §101(j)(61), Dec. 30, 1969, 83 Stat. 532, struck out item 504 "Denial of exemption".

### § 501. Exemption from tax on corporations, certain trusts, etc.

#### (a) Exemption from taxation

An organization described in subsection (c) or (d) or section 401(a) shall be exempt from taxation under this subtitle unless such exemption is denied under section 502 or 503.

#### (b) Tax on unrelated business income and certain other activities

An organization exempt from taxation under subsection (a) shall be subject to tax to the extent provided in parts II, III, and VI of this subchapter, but (notwithstanding parts II, III, and VI of this subchapter) shall be considered an organization exempt from income taxes for the purpose of any law which refers to organizations exempt from income taxes.

#### (c) List of exempt organizations

The following organizations are referred to in subsection (a):

- (1) Any corporation organized under Act of Congress which is an instrumentality of the United States but only if such corporation—